

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2012

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

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SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2011 Election)**

Lee Ann Grimley	Board President	2013
Tami Gillmore	Vice President	2013
Judy Studt	Board Member	2015
Dennis Thies	Board Member	2015
Todd Nulle	Board Member	2015

(After September 2011 Election)

Lee Ann Grimley	Board President	2013
Tami Gillmore	Vice President	2013
Judy Studt	Board Member	2015
Dennis Thies	Board Member	2015
Todd Nulle	Board Member	2015

School Officials

Terry Rhinehart	Superintendent	2012
Stacey Matus	District Secretary/Treasurer	Indefinite
Brian Gruhn	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Springville Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Springville Community School District, Springville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Springville Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 26, 2013 on my consideration of Springville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the nine years in the period ended June 30, 2012, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Springville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,439,532 in fiscal 2011 to \$4,102,407 in fiscal 2012, and General Fund expenditures increased from \$3,806,458 in fiscal 2011 to \$4,289,836 in fiscal 2012. The District's General Fund balance decreased from \$1,433,927 in fiscal 2011 to \$1,246,791 in fiscal 2012, a 13% decrease.
- The decrease in General Fund revenue was primarily due to a decrease in property tax revenue, state aid, and federal sources including the expiration of the Federal American Recovery and Reinvestment Act (ARRA) funds.
- The increase in expenditures can be attributed to an increase in salaries and benefits, instructional supplies, support services, technology, maintenance, and the purchase of a new bus. As a result, the District's General Fund ending balance decreased by \$187,136. The General Fund balance at June 30, 2012 was \$1,246,791 or 29% of the General Fund expenses.
- The District was able to grow its unspent authorized budget from \$1,706,759 to \$2,061,486 a 20.78% increase from FY11 to FY12. This increase was due to a 66% increase in the regular program budget adjustment and a 72% increase in supplementary weighting and was also attributable to a \$95,874 decrease in the special education positive balance reduction from FY11 to FY12.
- The District's general fund solvency ratio (unassigned fund balance/general fund revenues) at June 30, 2012 was 27%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Springville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Springville Community School District's

operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor Governmental and Enterprise Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

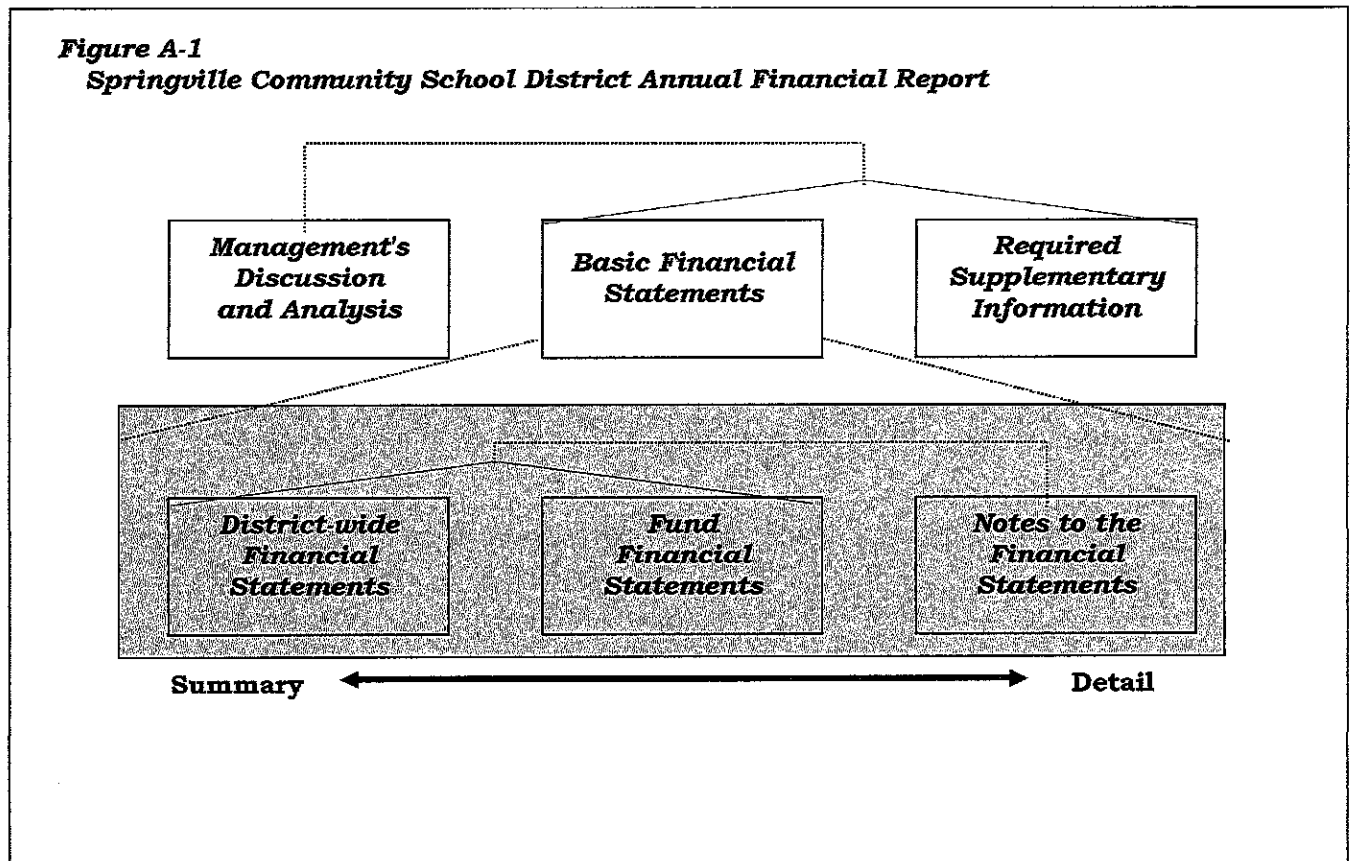


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator

of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 4,240,758	\$ 4,717,817	\$ 35,711	\$ 49,466	\$ 4,276,469	\$ 4,767,283	-10.30%
Capital assets	<u>4,998,366</u>	<u>4,921,930</u>	<u>55,007</u>	<u>45,230</u>	<u>5,053,373</u>	<u>4,967,160</u>	1.74%
Total assets	<u>9,239,124</u>	<u>9,639,747</u>	<u>90,718</u>	<u>94,696</u>	<u>9,329,842</u>	<u>9,734,443</u>	-4.16%
Long-term liabilities	3,447,592	3,632,004	-	-	3,447,592	3,632,004	-5.08%
Other liabilities	<u>1,962,550</u>	<u>2,337,469</u>	<u>16,673</u>	<u>19,062</u>	<u>1,979,223</u>	<u>2,356,531</u>	-16.01%
Total liabilities	<u>5,410,142</u>	<u>5,969,473</u>	<u>16,673</u>	<u>19,062</u>	<u>5,426,815</u>	<u>5,988,535</u>	-9.38%
Net assets							
Invested in capital assets,							
net of related debt	1,673,366	1,371,930	55,007	45,230	1,728,373	1,417,160	21.96%
Restricted	959,156	842,151	-	-	959,156	842,151	13.89%
Unrestricted	<u>1,196,460</u>	<u>1,456,193</u>	<u>19,038</u>	<u>30,404</u>	<u>1,215,498</u>	<u>1,486,597</u>	-18.24%
Total net assets	<u>\$ 3,828,982</u>	<u>\$ 3,670,274</u>	<u>\$ 74,045</u>	<u>\$ 75,634</u>	<u>\$ 3,903,027</u>	<u>\$ 3,745,908</u>	4.19%

The District's combined net assets increased by approximately 4%, or \$157,119, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$117,005, or approximately 14% over the prior year. The increase was primarily a result of increased fund balances in the Capital Projects and Management Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$271,099, or approximately 18%. The decrease was primarily a result of the decrease in General Fund revenue and increased General Fund expenditures in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 314,185	\$ 432,367	\$ 132,750	\$ 180,130	\$ 446,935	\$ 612,497	-27.03%
Operating grants	637,676	761,793	68,476	66,650	706,152	828,443	-14.76%
General revenues							
Property tax	1,861,134	1,887,018	-	-	1,861,134	1,887,018	-1.37%
Statewide sales, services and use tax	364,596	397,146	-	-	364,596	397,146	-8.20%
Unrestricted state grants	1,612,662	1,766,966	-	-	1,612,662	1,766,966	-8.73%
Contributions and donations	8,960	2,450	-	-	8,960	2,450	265.71%
Unrestricted investment earnings	8,008	8,522	33	4	8,041	8,526	-5.69%
Other	<u>23,373</u>	<u>3,360</u>	<u>-</u>	<u>-</u>	<u>23,373</u>	<u>3,360</u>	595.63%
Total revenues	<u>4,830,594</u>	<u>5,259,622</u>	<u>201,259</u>	<u>246,784</u>	<u>5,031,853</u>	<u>5,506,406</u>	-8.62%
Program expenses							
Governmental activities							
Instruction	2,845,837	2,510,086	-	-	2,845,837	2,510,086	13.38%
Support services	1,428,695	1,287,324	-	-	1,428,695	1,287,324	10.98%
Non-instructional programs	-	-	202,848	209,905	202,848	209,905	-3.36%
Other expenses	<u>397,354</u>	<u>457,053</u>	<u>-</u>	<u>-</u>	<u>397,354</u>	<u>457,053</u>	-13.06%
Total expenses	<u>4,671,886</u>	<u>4,254,463</u>	<u>202,848</u>	<u>209,905</u>	<u>4,874,734</u>	<u>4,464,368</u>	9.19%
Change in net assets	158,708	1,005,159	(1,589)	36,879	157,119	1,042,038	-84.92%
Transfers	-	(18,242)	-	18,242	-	-	0.00%
Net assets, beginning of year	<u>3,670,274</u>	<u>2,683,357</u>	<u>75,634</u>	<u>20,513</u>	<u>3,745,908</u>	<u>2,703,870</u>	38.54%
Net assets, end of year	<u>\$ 3,828,982</u>	<u>\$ 3,670,274</u>	<u>\$ 74,045</u>	<u>\$ 75,634</u>	<u>\$ 3,903,027</u>	<u>\$ 3,745,908</u>	4.19%

In fiscal 2012, property tax and unrestricted state grants account for 72% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$5,031,853 of which \$4,830,594 was for governmental activities and \$201,259 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9% decrease in revenues and a 9% increase in expenses. Other revenue increased by \$20,013 due to proceeds from the School Cents Program and miscellaneous donations and unrestricted state grants decreased by \$154,304 due largely to a reduction in state aid payments as a result of the district's declining enrollment. The increases in expenditures were due to an increase in salaries and benefits,

instructional supplies, technology supplies, support services, purchase of a new bus, and building repairs and maintenance. The District's Governmental Activities expenses primarily relate to instruction and support services which accounted for 91.49% of total expenditures.

Governmental Activities

Revenues for governmental activities were \$4,830,594 and expenses were \$4,671,886 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 2,845,837	\$ 2,510,086	13.4%	\$ 2,057,736	\$ 1,498,634	37.3%
Support services	1,428,695	1,287,324	11.0%	1,421,612	1,280,676	11.0%
Other expenses	<u>397,354</u>	<u>457,053</u>	-13.1%	<u>240,677</u>	<u>280,993</u>	-14.3%
Total expenses	<u>\$ 4,671,886</u>	<u>\$ 4,254,463</u>	9.8%	<u>\$ 3,720,025</u>	<u>\$ 3,060,303</u>	21.6%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$314,185.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$637,676.
- The net cost of governmental activities was financed with \$2,225,730 in property and other taxes and \$1,612,662 in unrestricted state grants.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2012 were \$201,259 representing an 18% decrease from the prior year and expenses totaled \$202,848, a 3% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund for 3 year olds. Revenues of these activities were comprised of charges for services, tuition, federal and state reimbursements and investment income.

The decrease in revenue from FY11 to FY12 in the School Nutrition Fund is due to the EMC settlement of \$50,000 received in FY11 for embezzlement from the district's School Nutrition Fund for the time period of July 1, 2005 – March 31, 2009. The decrease in revenue in the Preschool Fund is due to the four year old Preschool State Aid which allows the 4 year olds to attend the district's preschool program tuition free. The decrease in expenditures is attributable to the Preschool Fund's salaries and benefits being funded by the four year old Preschool State Aid; not having to rely on tuition receipts to sustain the 4 year old program.

INDIVIDUAL FUND ANALYSIS

As previously noted, Springville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,230,070 slightly below last year's ending fund balances of \$2,299,985. The primary reason for the decrease of \$69,915 in combined fund balances in fiscal 2012 is due to a decrease in revenue sources and using bond proceeds from a previous year to fund a construction project in 2012.

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of many factors. Decrease in state aid as a result of declining enrollment, decrease in local property tax revenue, and decrease in revenue from federal sources. The District's expenditures increased in the areas of instruction and support services.
- The General Fund balance decreased from \$1,433,927 to \$1,246,791, due in part to the decrease in the District tax rate, the increase of expenditures, and an increase of staff FTE.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance increased from \$402,632 to \$441,217 due to the completion of the construction projects to the Springville secondary building in FY11.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$75,634 at June 30, 2011 to \$74,045 at June 30, 2012, representing a decrease of approximately 2%. Insurance settlement received in FY11 for the amount of \$50,000 from EMC to the Nutrition Fund based on the State Auditor investigation dated July 7, 2011. Decreased preschool tuition receipts due to state aid resources for four year old preschool.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year ended June 30, 2012.

The District's revenues were \$391,574 less than budgeted revenues, a variance of 7%. The most significant variance resulted from the District receiving less in state revenue sources than anticipated.

Total expenditures were \$674,793 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at near the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$5,053,373, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$145,404.

The original cost of the District's capital assets was \$8,950,439. Governmental funds account for \$8,841,370, with the remainder of \$109,069 accounted for in the Proprietary, School Nutrition Fund.

The largest change was in the site improvements category, which increased from \$21,664 at June 30, 2011 to \$36,662 at June 30, 2012.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Land	\$ 332,167	\$ 332,167	\$ -	\$ -	\$ 332,167	\$ 332,167	0.00%
Buildings and improvements	4,465,875	4,432,676	-	-	4,465,875	4,432,676	0.75%
Site improvements	36,662	21,664	-	-	36,662	21,664	69.23%
Furniture and equipment	<u>163,662</u>	<u>135,423</u>	<u>55,007</u>	<u>45,230</u>	<u>218,669</u>	<u>180,653</u>	21.04%
Totals	<u>\$4,998,366</u>	<u>\$4,921,930</u>	<u>\$55,007</u>	<u>\$45,230</u>	<u>\$5,053,373</u>	<u>\$4,967,160</u>	1.74%

Long-Term Debt

At June 30, 2012, the District had \$3,447,592 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of "A-" assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$3.3 million.

Figure A-7

Outstanding Long-term Obligations

	Total		Total
	School District		Change
	2012	2011	2011-2012
Revenue bonds	\$ 3,260,000	\$ 3,425,000	-4.82%
Capital loan notes	65,000	125,000	-48.00%
Termination benefits	55,499	27,813	99.54%
Net OPEB liability	67,093	54,191	23.81%
Total	<u>\$ 3,447,592</u>	<u>\$ 3,632,004</u>	-5.08%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance. The District’s “new money” for FY14 is (\$55,012). Increased salaries and benefits, unknown additional costs of the Health Care Reform Act, low allowable growth and declining enrollment are all major factors on the District’s General Fund budget.
- The District’s certified enrollment on October 1, 2013 was down 9.99 students from October 1, 2012. In response to this the district is taking the steps necessary to be prepared for the negative impact on the district financially in the 2012/13 school year. The District has declined in enrollment a total of 105 students in the last 6 years. There is potential for growth and the district is hopeful that this decline in enrollment will not continue.
- The District levied \$190,990 in cash reserves for FY12 to anticipate the uncertainties with allowable growth. Due to current legislation the District will not be able to levy cash reserves for FY13 and FY14.
- Due to a positive special education balance the District will have a reversion back to the State for the amount of \$51,990 for FY12.
- FY11 is the first year the District entered into an operational sharing agreement with another district for the position of Director of Buildings and Grounds. The District will receive \$56,647 in supplementary weighting dollars in FY13 for this sharing agreement. FY14 will be the last year the District will receive sharing dollars for this agreement.
- In FY12 the Springville Board of Education set the following as target financial solvency ratios: Minimum-12%; Average-16%; and Maximum-29%. FY12 ended with a 27% solvency ratio compared to a 30% solvency ratio in FY11. The Springville Board of Education is mindful that declining enrollment, low allowable growth, and a decrease in revenue sources will produce a downward trend on the District’s solvency ratio and can accelerate quickly.
- In FY12 the Springville Board of Education also set the following targets of unspent budget authority per student: Minimum-\$1,000; Average-\$1,800; Maximum-\$3,300. FY12 ended with \$4,674 per student and FY11 ended with \$4,805 per student.
- The District will be asking voters to extend the existing voter-approved physical plant and equipment property tax levy of \$1.34/\$1,000 for another 10 years in a special election on June 25, 2013.

- The District will be researching what best possible options are available to improve the learning environment at the current elementary building due to many facility concerns.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacey Matus, District Secretary/Treasurer and Business Manager, Springville Community School District, 400 Academy Street, Springville, Iowa 52336.

Basic Financial Statements

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents			
Cash with fiscal agent	\$ 575,086	\$ -	\$ 575,086
Other	2,056,107	25,807	2,081,914
Receivables			
Property tax			
Delinquent	15,606	-	15,606
Succeeding year	1,359,952	-	1,359,952
Accounts receivable	8,128	252	8,380
Income surtax	123,558	-	123,558
Due from other governments	99,774	-	99,774
Due from other fund	2,547		2,547
Inventories	-	9,652	9,652
Non-depreciable capital assets	332,167	-	332,167
Capital assets, net of accumulated depreciation	4,666,199	55,007	4,721,206
Total assets	<u>9,239,124</u>	<u>90,718</u>	<u>9,329,842</u>
Liabilities			
Accounts payable	199,766	118	199,884
Salaries and benefits payable	324,819	11,592	336,411
Accrued interest payable	78,013	-	78,013
Due to other fund		2,547	2,547
Deferred revenue			
Succeeding year property tax	1,359,952	-	1,359,952
Other	-	2,416	2,416
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	170,000	-	170,000
Capital loan notes payable	65,000	-	65,000
Termination benefits payable	20,812	-	20,812
Portion due after one year			
Revenue bonds payable	3,090,000	-	3,090,000
Termination benefits payable	34,687	-	34,687
Net OPEB liability	67,093	-	67,093
Total liabilities	<u>5,410,142</u>	<u>16,673</u>	<u>5,426,815</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2012

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$1,673,366	\$ 55,007	\$ 1,728,373
Restricted for			
Categorical funding	109,389	-	109,389
Management levy purposes	177,118	-	177,118
Physical plant and equipment	35,766	-	35,766
Student activities	51,587	-	51,587
School infrastructure	441,217	-	441,217
Debt service	144,079	-	144,079
Unrestricted	<u>1,196,460</u>	<u>19,038</u>	<u>1,215,498</u>
Total net assets	<u>\$3,828,982</u>	<u>\$ 74,045</u>	<u>\$ 3,903,027</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2012

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>		<u>Governmental Activities</u>	<u>Business Type Activities</u>
			<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Total</u>		
<u>Governmental activities</u>						
Instruction						
Regular instruction	\$ 2,088,013	\$ 163,803	\$ 376,115	\$ -	\$ (1,548,095)	\$ -
Special instruction	377,235	38,696	101,378	-	(237,161)	-
Other instruction	380,589	108,109	-	-	(272,480)	-
	<u>2,845,837</u>	<u>310,608</u>	<u>477,493</u>	<u>-</u>	<u>(2,057,736)</u>	<u>-</u>
Support services						
Student	138,192	-	-	-	(138,192)	-
Instructional staff	99,818	-	2,451	-	(97,367)	-
Administration	645,270	-	-	-	(645,270)	-
Operation and maintenance of plant	378,192	-	-	-	(378,192)	-
Transportation	167,223	3,577	1,055	-	(162,591)	-
	<u>1,428,695</u>	<u>3,577</u>	<u>3,506</u>	<u>-</u>	<u>(1,421,612)</u>	<u>-</u>
Other expenses						
Facilities acquisition	6,659	-	-	-	(6,659)	-
Long-term debt interest	161,656	-	-	-	(161,656)	-
AEA flowthrough	156,677	-	156,677	-	-	-
Depreciation (unallocated) *	72,362	-	-	-	(72,362)	-
	<u>397,354</u>	<u>-</u>	<u>156,677</u>	<u>-</u>	<u>(240,677)</u>	<u>-</u>
Total governmental activities	<u>4,671,886</u>	<u>314,185</u>	<u>637,676</u>	<u>-</u>	<u>(3,720,025)</u>	<u>-</u>

See notes to financial statements.

Exhibit B

Statement of Activities

For the Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities		Total
<u>Functions/Programs (continued)</u>	<u>Expenses</u>	<u>Charges for Services</u>				
Business type activities						
Non-instructional programs						
Food service operations	\$ 192,944	\$ 124,621	\$ 68,476	\$ -	\$ 153	\$ 153
Preschool program	9,904	8,129	-	-	(1,775)	(1,775)
Total business type activities	202,848	132,750	68,476	-	(1,622)	(1,622)
Total	\$ 4,874,734	\$ 446,935	\$ 706,152	\$ -	(1,622)	(3,721,647)
<u>General Revenues</u>						
Property tax levied for						
General purposes						
Capital outlay						
Statewide sales, services and use tax						
Unrestricted state grants						
Contributions and donations						
Unrestricted investment earnings						
Other						
Total general revenues						
Change in net assets						
Net assets, beginning of year						
Net assets, end of year						

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2012

		Capital Projects		
		Statewide	Nonmajor	
		Sales, Services	Governmental	
Assets	General	and Use Tax	Funds	Total
Cash and pooled investments				
Cash with fiscal agent	\$ -	\$ 327,257	\$ 247,829	\$ 575,086
Other	1,683,413	86,830	285,864	2,056,107
Receivables				
Property tax				
Delinquent	12,935	-	2,671	15,606
Succeeding year	1,180,112	-	179,840	1,359,952
Accounts receivable	2,748	-	5,380	8,128
Income surtax	123,558	-	-	123,558
Due from other governments	72,536	27,130	108	99,774
Due from other funds	16,505	-	29,454	45,959
Total assets	<u>\$3,091,807</u>	<u>\$ 441,217</u>	<u>\$751,146</u>	<u>\$4,284,170</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 196,259	\$ -	\$ 3,507	\$ 199,766
Salaries and benefits payable	324,819	-	-	324,819
Due to other funds	17,675	-	25,737	43,412
Deferred revenue				
Succeeding year property tax	1,180,112	-	179,840	1,359,952
Income surtax	123,558	-	-	123,558
Other	2,593	-	-	2,593
Total liabilities	<u>1,845,016</u>	<u>-</u>	<u>209,084</u>	<u>2,054,100</u>
Fund balances				
Restricted for				
Categorical funding	109,389	-	-	109,389
School infrastructure	-	441,217	-	441,217
Student activities	-	-	51,587	51,587
Management levy purposes	-	-	232,617	232,617
Physical plant and equipment	-	-	35,766	35,766
Debt service	-	-	222,092	222,092
Unassigned	1,137,402	-	-	1,137,402
Total fund balances	<u>1,246,791</u>	<u>441,217</u>	<u>542,062</u>	<u>2,230,070</u>
Total liabilities and fund balances	<u>\$3,091,807</u>	<u>\$ 441,217</u>	<u>\$751,146</u>	<u>\$4,284,170</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2012

Exhibit D

Total fund balances of governmental funds	\$2,230,070
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,998,366
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	126,151
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(78,013)
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Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,447,592)</u>
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Net assets of governmental activities	<u>\$3,828,982</u>
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SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

Exhibit E

		Capital Projects		
		Statewide	Nonmajor	
		Sales, Services	Governmental	
	<u>General</u>	<u>and Use Tax</u>	<u>Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 1,560,188	\$ 364,596	\$ 297,699	\$ 2,222,483
Tuition	184,590	-	-	184,590
Other	68,357	143	101,437	169,937
State sources	2,102,138	-	-	2,102,138
Federal sources	187,134	-	-	187,134
Total revenues	<u>4,102,407</u>	<u>364,739</u>	<u>399,136</u>	<u>4,866,282</u>
Expenditures				
Current				
Instruction				
Regular	2,019,469	-	15,006	2,034,475
Special	376,048	-	-	376,048
Other	278,654	-	96,366	375,020
	<u>2,674,171</u>	<u>-</u>	<u>111,372</u>	<u>2,785,543</u>
Support services				
Student	137,542	-	-	137,542
Instructional staff	94,894	-	-	94,894
Administration	624,740	-	22,463	647,203
Operation and maintenance of plant	387,115	-	27,450	414,565
Transportation	214,697	-	5,698	220,395
	<u>1,458,988</u>	<u>-</u>	<u>55,611</u>	<u>1,514,599</u>
Other expenditures				
Facilities acquisition	-	-	89,259	89,259
Long-term debt				
Principal	-	-	225,000	225,000
Interest and fiscal charges	-	-	165,119	165,119
AEA flowthrough	156,677	-	-	156,677
	<u>156,677</u>	<u>-</u>	<u>479,378</u>	<u>636,055</u>
Total expenditures	<u>4,289,836</u>	<u>-</u>	<u>646,361</u>	<u>4,936,197</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (187,429)	\$ 364,739	\$ (247,225)	\$ (69,915)
Other financing sources (uses)				
Interfund operating transfers in	293	-	390,814	391,107
Interfund operating transfers (out)	-	(326,154)	(64,953)	(391,107)
Total other financing sources (uses)	<u>293</u>	<u>(326,154)</u>	<u>325,861</u>	<u>-</u>
Net change in fund balances	(187,136)	38,585	78,636	(69,915)
Fund balance, beginning of year	<u>1,433,927</u>	<u>402,632</u>	<u>463,426</u>	<u>2,299,985</u>
Fund balance, end of year	<u>\$ 1,246,791</u>	<u>\$ 441,217</u>	<u>\$ 542,062</u>	<u>\$ 2,230,070</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Exhibit F

Net change in fund balances - total governmental funds **\$ (69,915)**

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$214,499	
Depreciation expense	<u>(138,063)</u>	76,436

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (35,688)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 225,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	(27,686)	
Other postemployment benefits	<u>(12,902)</u>	(40,588)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,463

Change in net assets of governmental activities **\$158,708**

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit G

	<u>Nonmajor Enterprise</u>
Assets	
Cash and cash equivalents	\$ 25,807
Accounts receivable	252
Due from other fund	17,675
Inventories	9,652
Capital assets, net of accumulated depreciation	<u>55,007</u>
Total assets	<u>108,393</u>
 Liabilities	
Accounts payable	118
Salaries and benefits payable	11,592
Due to other fund	20,222
Deferred revenue	<u>2,416</u>
Total liabilities	<u>34,348</u>
 Net Assets	
Invested in capital assets	55,007
Unrestricted	<u>19,038</u>
Total net assets	<u><u>\$ 74,045</u></u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

Exhibit H

	Nonmajor <u>Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$132,750</u>
Operating expenses	
Support services	
Operation and maintenance of plant	<u>6,179</u>
Non-instructional programs	
Food service operations	186,765
Preschool operations	<u>9,904</u>
	<u>196,669</u>
Total operating expenses	<u>202,848</u>
Operating loss	<u>(70,098)</u>
Non-operating revenues	
Interest income	33
State sources	1,806
Federal sources	<u>66,670</u>
Total non-operating revenues	<u>68,509</u>
Net loss	(1,589)
Net assets, beginning of year	<u>75,634</u>
Net assets, end of year	<u>\$ 74,045</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

Exhibit I

	Nonmajor Enterprise
Cash flows from operating activities	
Cash received from sale of services	\$ 155,368
Cash payments to employees for services	(111,269)
Cash payments to suppliers for goods and services	(100,372)
Net cash used in operating activities	<u>(56,273)</u>
Cash flows from non-capital financing activities	
State grants received	1,806
Federal grants received	55,214
Net cash provided by non-capital financing activities	<u>57,020</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(17,118)</u>
Cash flows from investing activities	
Interest on investments	<u>33</u>
Net decrease in cash and cash equivalents	(16,338)
Cash and cash equivalents, beginning of year	42,145
Cash and cash equivalents, end of year	<u><u>\$ 25,807</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (70,098)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	7,341
Commodities used	11,456
(Increase) in accounts receivable	(45)
Decrease in due from other fund	23,928
(Increase) in inventory	(6,314)
(Decrease) in due to other fund	(6,013)
(Decrease) in deferred revenue	(1,265)
(Decrease) in accrued salaries and benefits	(15,263)
Net cash used in operating activities	<u><u>\$ (56,273)</u></u>

Non-cash investing, capital and related financing activities

During the year ended June 30, 2012 the District received \$11,456 of federal commodities.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies

The Springville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Springville, Iowa, and the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Springville Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Springville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The District reports no major proprietary funds. However, it reports two non-major enterprise funds, the School Nutrition Fund and Preschool Fund, which are used to account for the school nutrition and preschool operations, respectively of the district.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than twelve months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The termination benefits liability has been computed based on rates of pay in effect at June 30, 2012. The termination benefits liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds, as well as property tax and income surtax receivables not collected within sixty days after year end and amounts paid by students for meals not yet served.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and amounts paid by students for meals not yet served.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$177,118 for management levy purposes, \$35,766 for physical plant and equipment, \$144,079 for debt service, \$51,587 for student activities and \$441,217 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other instruction function exceeded the amount budgeted.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major capital projects fund	Non-major governmental fund	
Physical plant and equipment levy	Debt service	\$ 25,737
Non-major special revenue fund	Non-major enterprise fund	
Student activity	Preschool	3,717
Non-major enterprise fund		
Preschool	General	17,675
	Non-major enterprise fund	
General	Preschool	<u>16,505</u>
		<u>\$ 63,634</u>

The Debt Service Fund and Preschool Fund had outstanding warrants issued in excess of the funds' portions of shared bank accounts. Therefore, the negative cash balances are reported as interfund receivables/payables. The Preschool Fund owed General Fund for salaries and benefits paid by General Fund and not reimbursed by Preschool Fund at June 30, 2012. These interfund receivables/payables are expected to be repaid during the year ending June 30, 2013.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
General	Nonmajor special revenue	
	Student activities	\$ 293
Nonmajor governmental	Capital projects	
Debt service	Statewide sales, service and use tax	326,154
Nonmajor governmental	Nonmajor capital projects	
Debt service	Physical plant and equipment levy	64,660
		<u>\$ 391,107</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. These transfers were to move funds from the Physical Plant and Equipment Levy Fund and Statewide Sales, Services and Use Tax Fund to the Debt Service Fund for payment of principal and interest on debt. The other transfers were to correct miscoding of expenditures.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance, Beginning of Year	Additions	Adjustments	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 332,167	\$ -	\$ -	\$ 332,167
Capital assets being depreciated:				
Buildings and improvements	6,939,946	106,720	-	7,046,666
Site improvements	23,488	15,783	-	39,271
Furniture and equipment	1,331,270	91,996	-	1,423,266
Total capital assets being depreciated	<u>8,294,704</u>	<u>214,499</u>	<u>-</u>	<u>8,509,203</u>
Less accumulated depreciation for:				
Buildings and improvements	2,507,270	73,521	-	2,580,791
Site improvements	1,824	785	-	2,609
Furniture and equipment	1,195,847	63,757	-	1,259,604
Total accumulated depreciation	<u>3,704,941</u>	<u>138,063</u>	<u>-</u>	<u>3,843,004</u>
Total capital assets being depreciated, net	<u>4,589,763</u>	<u>76,436</u>	<u>-</u>	<u>4,666,199</u>
Governmental activities capital assets, net	<u>\$ 4,921,930</u>	<u>\$ 76,436</u>	<u>\$ -</u>	<u>\$ 4,998,366</u>

Business type activities

Furniture and equipment	\$ 91,951	\$ 17,118	\$ -	\$ 109,069
Less accumulated depreciation	<u>46,721</u>	<u>7,341</u>	<u>-</u>	<u>54,062</u>
Business type activities capital assets, net	<u>\$ 45,230</u>	<u>\$ 9,777</u>	<u>\$ -</u>	<u>\$ 55,007</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 19,429
Other	4,385
Support services	
Instructional staff	4,789
Administration	2,529
Operation and maintenance of plant	8,400
Transportation	<u>26,169</u>
	65,701
Unallocated depreciation	<u>72,362</u>
Total governmental activities depreciation expense	<u>\$ 138,063</u>

Business type activities

Food services	<u>\$ 7,341</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Revenue bonds	\$ 3,425,000	\$ -	\$ (165,000)	\$ 3,260,000	\$ 170,000
Capital loan notes	125,000	-	(60,000)	65,000	65,000
Termination benefits	27,813	41,626	(13,940)	55,499	20,812
Net OPEB liability	<u>54,191</u>	<u>12,902</u>	<u>-</u>	<u>67,093</u>	<u>-</u>
Totals	<u>\$ 3,632,004</u>	<u>\$ 54,528</u>	<u>\$ (238,940)</u>	<u>\$ 3,447,592</u>	<u>\$ 255,812</u>

Interest costs incurred and charged to expense on all long-term debt was \$161,656 for the year ended June 30, 2012. During the year ended June 30, 2012, the District made principal payments on total long-term debt of \$225,000.

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of June 25, 2009			
	Interest Rates	Interest	Principal	Total
2013	4.00%	\$ 152,258	\$ 170,000	\$ 322,258
2014	4.00%	146,457	120,000	266,457
2015	4.00%	141,557	125,000	266,557
2016	4.00%	136,357	135,000	271,357
2017	3.75%	131,032	140,000	271,032
2018-2022	4.00-4.625%	561,597	795,000	1,356,597
2023-2027	4.7-5.5%	347,557	1,025,000	1,372,557
2028-2030	5.50%	63,525	750,000	813,525
Totals		<u>\$ 1,680,340</u>	<u>\$ 3,260,000</u>	<u>\$ 4,940,340</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,585,000 of bonds issued in June 2009. The bonds were issued to finance upgrades to the HVAC system at the buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 80% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,940,340. For the current year, \$165,000 of principal and \$158,957 of interest was paid on the bonds and statewide sales, services and use tax revenues was \$364,596.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$327,257 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2012.

Capital Loan Notes

On June 18, 2004, the District issued capital loan notes in the amount of \$550,000. Proceeds of the notes were used for improvements to the heating and cooling system at the elementary building. The capital loan notes are scheduled to be repaid as follows:

Year				
Ending	Interest			
<u>June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.40%	\$ 65,000	\$ 2,210	\$ 67,210

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees are required to be at least 55 years of age and have completed 15 years of consecutive service to the District. Employees must have completed an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to one-half of the employee's salary for the year in which he/she applies to participate in the early retirement plan. The retiree receives the early retirement benefits in three equal payments with the first payment being made on or before July 2 in the calendar year in which the employee is approved for early retirement. The retiree may elect to leave their benefit in the Management Fund to be used to pay the retiree's medical insurance until the benefit is completely used.

At June 30, 2012, the District had obligations to four participants with a total liability of \$55,499. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$13,940.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 5.38%, 4.5% and 4.30% of their annual covered salary and the District was required to contribute 8.07%, 6.95% and 6.65% of annual covered payroll for the years ended June 30, 2012, 2011 and 2010 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$168,343, \$140,163 and \$142,110, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 55 active, and 5 retired members in the plan. Participants must be age 61 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,000
Interest on net OPEB obligation	2,926
Adjustment to annual required contribution	<u>(1,024)</u>
Annual OPEB cost	51,902
Contributions made	<u>(39,000)</u>
Increase in net OPEB obligation	12,902
Net OPEB obligation beginning of year	<u>54,191</u>
Net OPEB obligation end of year	<u><u>\$ 67,093</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$39,000 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 50,000	46.0%	\$ 27,000
2011	50,191	45.8%	\$ 54,191
2012	51,902	75.1%	\$ 67,093

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$290,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$290,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.1 million and the ratio of UAAL to covered payroll was 13.7%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$156,677 adjusting entry to the cash basis financial statements.

Note 11. Deficit Balances

The District's Preschool Fund had a net asset deficit of \$2,547 at June 30, 2012.

Note 12. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 13. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program

Gifted and Talented	\$ 34,188
Returning dropout and dropout prevention program	360
Teacher salary supplement	35,087
Administrator mentoring	250
Statewide voluntary preschool	25,078
Educator quality, professional development for model core curriculum	13,075
Educator quality, professional development	<u>1,351</u>
	<u>\$ 109,389</u>

Note 14. New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2012, the GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnerships. Specifically, this Statement improves financial reporting by establishing recognition, measurement and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for governmental financial reporting entities by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

- GASB Statement No. 66, *Technical Corrections – 2012*, issued April 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases* and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statements also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans

administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Required Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Proprietary Funds Required Supplementary Information For the Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 2,577,010	\$ 132,783	\$ 2,709,793	\$ 2,744,366	\$ 2,744,366	\$ (34,573)
Intermediate sources	-	-	-	130,000	130,000	(130,000)
State sources	2,102,138	1,806	2,103,944	2,369,749	2,369,749	(265,805)
Federal sources	187,134	66,670	253,804	215,000	215,000	38,804
Total revenues	4,866,282	201,259	5,067,541	5,459,115	5,459,115	(391,574)
Expenditures/Expenses						
Instruction	2,785,543	-	2,785,543	3,288,700	3,288,700	503,157
Support services	1,514,599	6,179	1,520,778	1,727,100	1,727,100	206,322
Non-instructional programs	-	196,669	196,669	210,000	210,000	13,331
Other expenditures	636,055	-	636,055	588,038	588,038	(48,017)
Total expenditures/expenses	4,936,197	202,848	5,139,045	5,813,838	5,813,838	674,793
Deficiency of revenues under expenditures/expenses	(69,915)	(1,589)	(71,504)	(354,723)	(354,723)	283,219
Balance, beginning of year	2,299,985	75,634	2,375,619	982,411	982,411	1,393,208
Balance, end of year	\$ 2,230,070	\$ 74,045	\$ 2,304,115	\$ 627,688	\$ 627,688	\$ 1,676,427

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. The District did not amend its budget during the year ended June 30, 2009.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year ended June 30, 2012.

During the year ended June 30, 2012, expenditures in the other instruction function exceeded the amount budgeted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$290,000	\$290,000	\$ -	\$2,205,110	13.2%
2011	July 1, 2009	-	290,000	290,000	-	2,001,711	14.5%
2012	July 1, 2009	-	290,000	290,000	-	2,119,456	13.7%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	<u>Debt Service</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>		
Assets					
Cash and pooled investments					
Cash with fiscal agent	\$ -	\$ -	\$ -	\$247,829	\$247,829
Other	50,630	226,812	8,422	-	285,864
Receivables					
Property tax					
Delinquent	-	1,126	1,545	-	2,671
Succeeding year	-	-	179,840	-	179,840
Accounts receivable	747	4,633	-	-	5,380
Due from other governments	-	46	62	-	108
Due from other funds	3,717	-	25,737	-	29,454
Total assets	<u>\$55,094</u>	<u>\$232,617</u>	<u>\$215,606</u>	<u>\$247,829</u>	<u>\$751,146</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 3,507	\$ -	\$ -	\$ -	\$ 3,507
Due to other funds	-	-	-	25,737	25,737
Deferred revenue					
Succeeding year property tax	-	-	179,840	-	179,840
Total liabilities	<u>3,507</u>	<u>-</u>	<u>179,840</u>	<u>25,737</u>	<u>209,084</u>
Fund balances					
Restricted for					
Student activities	51,587	-	-	-	51,587
Management levy purposes	-	232,617	-	-	232,617
Physical plant and equipment	-	-	35,766	-	35,766
Debt service	-	-	-	222,092	222,092
Total fund balances	<u>51,587</u>	<u>232,617</u>	<u>35,766</u>	<u>222,092</u>	<u>542,062</u>
Total liabilities and fund balances	<u>\$55,094</u>	<u>\$232,617</u>	<u>\$215,606</u>	<u>\$247,829</u>	<u>\$751,146</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>		
			<u>Physical Plant and Equipment</u>	<u>Debt Service</u>	<u>Total</u>
Revenues	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>		
Local sources					
Local taxes	\$ -	\$125,521	\$172,178	\$ -	\$297,699
Other	91,195	8,690	547	1,005	101,437
Total revenues	<u>91,195</u>	<u>134,211</u>	<u>172,725</u>	<u>1,005</u>	<u>399,136</u>
Expenditures					
Current					
Instruction					
Regular	-	15,006	-	-	15,006
Other	96,366	-	-	-	96,366
Total instruction	<u>96,366</u>	<u>15,006</u>	<u>-</u>	<u>-</u>	<u>111,372</u>
Support services					
Administration	-	22,463	-	-	22,463
Operation and maintenance of plant	-	27,450	-	-	27,450
Transportation	-	5,698	-	-	5,698
Total support services	<u>-</u>	<u>55,611</u>	<u>-</u>	<u>-</u>	<u>55,611</u>
Other expenditures					
Facilities acquisition	-	-	89,259	-	89,259
Long-term debt					
Principal	-	-	-	225,000	225,000
Interest and fiscal charges	-	-	-	165,119	165,119
Total other expenditures	<u>-</u>	<u>-</u>	<u>89,259</u>	<u>390,119</u>	<u>479,378</u>
Total expenditures	<u>96,366</u>	<u>70,617</u>	<u>89,259</u>	<u>390,119</u>	<u>646,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,171)</u>	<u>63,594</u>	<u>83,466</u>	<u>(389,114)</u>	<u>(247,225)</u>
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	390,814	390,814
Interfund operating transfers (out)	(293)	-	(64,660)	-	(64,953)
Total other financing sources (uses)	<u>(293)</u>	<u>-</u>	<u>(64,660)</u>	<u>390,814</u>	<u>325,861</u>
Net change in fund balances	(5,464)	63,594	18,806	1,700	78,636
Fund balances, beginning of year	57,051	169,023	16,960	220,392	463,426
Fund balances, end of year	<u>\$ 51,587</u>	<u>\$232,617</u>	<u>\$ 35,766</u>	<u>\$222,092</u>	<u>\$542,062</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012

Schedule 3

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$25,807	\$ -	\$25,807
Accounts receivable	252	-	252
Due from other fund	-	17,675	17,675
Inventories	9,652	-	9,652
Capital assets, net of accumulated depreciation	55,007	-	55,007
Total assets	<u>90,718</u>	<u>17,675</u>	<u>108,393</u>
Liabilities			
Accounts payable	118	-	118
Salaries and benefits payable	11,592	-	11,592
Due to other fund	-	20,222	20,222
Deferred revenue	2,416	-	2,416
Total liabilities	<u>14,126</u>	<u>20,222</u>	<u>34,348</u>
Net Assets			
Invested in capital assets	55,007	-	55,007
Unrestricted	21,585	(2,547)	19,038
Total net assets	<u>\$76,592</u>	<u>\$ (2,547)</u>	<u>\$74,045</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

Schedule 4

	School Nutrition	Preschool	Total
Operating revenue			
Local sources			
Charges for service	\$ 124,621	\$ 8,129	\$132,750
Operating expenses			
Support Services			
Operation and maintenance of plant			
Purchased services	4,910	-	4,910
Supplies	1,269	-	1,269
	<u>6,179</u>	<u>-</u>	<u>6,179</u>
Non-instructional programs			
Salaries	62,929	7,256	70,185
Benefits	17,160	2,648	19,808
Purchased services	4,833	-	4,833
Supplies	94,125	-	94,125
Depreciation	7,341	-	7,341
	<u>186,765</u>	<u>9,904</u>	<u>196,669</u>
Total operating expenses	<u>192,944</u>	<u>9,904</u>	<u>202,848</u>
Operating loss	<u>(68,323)</u>	<u>(1,775)</u>	<u>(70,098)</u>
Non-operating revenue			
Interest income	33	-	33
State sources	1,806	-	1,806
Federal sources	66,670	-	66,670
Total non-operating revenue	<u>68,509</u>	<u>-</u>	<u>68,509</u>
Net income (loss) before transfers	186	(1,775)	(1,589)
Net assets, beginning of year	76,406	(772)	75,634
Net assets, end of year	<u>\$ 76,592</u>	<u>\$ (2,547)</u>	<u>\$ 74,045</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

Schedule 5

	School Nutrition	Preschool	Total
Cash flows from operating activities			
Cash received from sale of services	\$123,311	\$ 32,057	\$155,368
Cash payments to employees for services	(79,212)	(32,057)	(111,269)
Cash payments to suppliers for goods and services	(100,372)	-	(100,372)
Net cash used in operating activities	(56,273)	-	(56,273)
Cash flows from non-capital financing activities			
State grants received	1,806	-	1,806
Federal grants received	55,214	-	55,214
Net cash provided by non-capital financing activities	57,020	-	57,020
Cash flows from capital and related financing activities			
Acquisition of capital assets	(17,118)	-	(17,118)
Cash flows from investing activities			
Interest on investments	33	-	33
Net decrease in cash and cash equivalents	(16,338)	-	(16,338)
Cash and cash equivalents, beginning of year	42,145	-	42,145
Cash and cash equivalents, end of year	<u>\$ 25,807</u>	<u>\$ -</u>	<u>\$ 25,807</u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$ (68,323)	\$ (1,775)	\$ (70,098)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	7,341	-	7,341
Commodities used	11,456	-	11,456
(Increase) in accounts receivable	(45)	-	(45)
Decrease in due from other fund	-	23,928	23,928
(Increase) in inventory	(6,314)	-	(6,314)
Increase (decrease) in due to other fund	11,592	(17,605)	(6,013)
(Decrease) in deferred revenue	(1,265)	-	(1,265)
(Decrease) in accrued salaries and benefits	(10,715)	(4,548)	(15,263)
Net cash used in operating activities	<u>\$ (56,273)</u>	<u>\$ -</u>	<u>\$ (56,273)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012 the District received \$11,456 of federal commodities.

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2012

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Cross country	\$ 164	\$ 1,604	\$ 1,585	\$ 183
Boys basketball	2,674	5,519	5,792	2,401
Football	5,284	10,158	13,724	1,718
Boys baseball	128	2,238	2,353	13
Boys track	146	-	20	126
Boys golf	79	-	63	16
Wrestling	106	-	-	106
Girls basketball	1,242	4,646	2,833	3,055
Girls volleyball	1,310	2,059	2,267	1,102
Girls softball	1,257	722	480	1,499
Girls track	38	679	595	122
Gate money	3,180	24,781	27,860	101
Activities director	243	-	-	243
Weight room	16	-	-	16
Cheerleading	524	3,373	2,935	962
Vocal resale	1,026	2,782	3,346	462
HS instrumental	1,216	3,987	3,748	1,455
Supply store	749	1	-	750
Elementary art club	3,571	206	74	3,703
Pictures	2,303	1,653	458	3,498
Jump Rope for Heart	122	-	-	122
Student senate - elementary	175	112	40	247
Fine arts	764	-	764	-
Elementary yearbook	112	1,673	1,675	110
Elementary instrumental resale	752	438	219	971
Central office	3	-	3	-
Book fair	3,659	3,481	3,353	3,787
Drama	1,890	1,105	855	2,140
Art club	1,747	303	150	1,900
Pictures	464	681	140	1,005
Garden project	415	1	-	416
MS Science Club	244	4,852	4,386	710

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2012

Schedule 6

Account	Balance, End of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Yearbook	\$ 4,662	\$ 937	\$ 2,644	\$ 2,955
Lego League	1,387	-	1,246	141
School cents	684	-	684	-
Interest	-	41	41	-
Mfg. Enterprise	-	1,646	1,141	505
Student senate - MS	1,128	171	-	1,299
Student senate - HS	1,237	806	681	1,362
Class of 2010	170	-	-	170
Class of 2011	1,188	2	-	1,190
Class of 2012	4,277	6	1,513	2,770
Class of 2013	295	5,770	3,729	2,336
Class of 2014	1,194	150	-	1,344
Class of 2015	660	1	-	661
Class of 2016	891	671	843	719
Class of 2017	507	642	-	1,149
Class of 2018	-	696	75	621
2nd grade - Wittenburg	965	-	965	-
Middle school social studies	389	1	-	390
Middle school science	496	-	496	-
Instrument repair	1,318	5	287	1,036
Benefit	-	2,596	2,596	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 57,051</u>	<u>\$ 91,195</u>	<u>\$ 96,659</u>	<u>\$ 51,587</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Nine Years

Schedule 7

	Modified Accrual Basis								
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues									
Local sources									
Local tax	\$2,222,483	\$2,293,510	\$2,275,398	\$2,129,621	\$2,023,376	\$1,433,756	\$1,294,457	\$1,235,683	\$1,163,863
Tuition	184,590	285,147	349,221	305,429	397,711	363,863	329,805	315,579	299,433
Other	169,937	170,552	174,992	237,613	221,034	192,006	151,998	124,320	115,037
State sources	2,102,138	2,283,639	1,960,731	2,273,695	2,380,698	2,318,082	2,246,880	2,083,190	1,967,842
Federal sources	187,134	250,962	298,143	169,611	105,700	143,883	85,608	64,116	82,265
Total revenues	<u>\$4,866,282</u>	<u>\$5,283,810</u>	<u>\$5,058,486</u>	<u>\$5,115,969</u>	<u>\$5,128,519</u>	<u>\$4,451,590</u>	<u>\$4,108,748</u>	<u>\$3,822,888</u>	<u>\$3,628,440</u>
Expenditures									
Current									
Instruction									
Regular	\$2,034,475	\$1,855,985	\$1,972,472	\$1,957,702	\$2,079,241	\$1,975,600	\$1,690,720	\$1,723,222	\$1,729,933
Special	376,048	307,526	425,680	477,178	379,056	391,669	388,496	426,064	365,774
Other	375,020	417,725	271,551	465,028	439,642	353,886	350,761	368,467	239,802
Support services									
Student	137,542	119,006	100,736	99,912	84,957	62,375	55,388	15,750	15,448
Instructional staff	94,894	77,947	109,824	124,337	166,948	150,601	156,447	165,882	116,071
Administration	647,203	555,462	517,238	531,365	504,787	472,893	428,280	437,637	487,216
Operation and maintenance of plant	414,565	394,143	369,381	374,395	404,437	367,717	355,078	343,560	296,785
Transportation	220,395	111,520	123,553	131,807	217,194	148,735	113,893	92,258	94,145
Other expenditures									
Facilities acquisition	89,259	1,698,201	2,531,340	213,318	45,821	20,821	84,260	43,784	322,540
Long-term debt									
Principal	225,000	220,000	185,000	180,000	180,000	170,000	175,000	165,000	155,000
Interest and other charges	165,119	173,429	99,822	71,134	20,345	23,580	26,504	31,081	74,673
AEA flowthrough	156,677	176,060	175,015	164,655	164,079	154,878	146,014	133,842	133,943
Total expenditures	<u>\$4,936,197</u>	<u>\$6,107,004</u>	<u>\$6,881,612</u>	<u>\$4,790,831</u>	<u>\$4,686,507</u>	<u>\$4,292,755</u>	<u>\$3,970,841</u>	<u>\$3,946,547</u>	<u>\$4,031,330</u>

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education
Springville Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Springville Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 26, 2013. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Springville Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Springville Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Springville Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Springville Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be

prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Springville Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Springville Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Springville Community School District and other parties to whom Springville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Springville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 26, 2013

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2012

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROLS DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed incompatible duties. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the amount budgeted in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinions dated April 25, 1979 were noted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2012

3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Financial Condition - The District's Enterprise Fund, Preschool Fund had a net assets deficit of \$2,547 at June 30, 2012.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - We will review this situation and implement changes, as needed.

Conclusion - Response accepted.

12. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
13. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 402,632
Revenues		
Statewide sales and services tax revenue	\$ 364,596	
Other local revenues	<u>143</u>	364,739
Expenditures/transfers out		
Debt service for school infrastructure		
Revenue debt		<u>326,154</u>
Ending balance		<u>\$ 441,217</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2012

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant